

Message Text

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44

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 INT-05 L-03 H-02 SP-02

AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

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FM AMEMBASSY PARAMARIBO

TO SECSTATE WASHDC 2450

INFO AMEMBASSY THE HAGUE

AMEMBASSY KINGSTON

AMEMBASSY SANTO DOMINGO

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EO 11652: NA

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SUBJ: BAUXITE NEGOTIATIONS AGAIN RECESSED AMICABLY

REF : (1) PARAMARIBO 0043, (2) 75 PARAMARIBO 0724

1. PERPLEXED ALCOA NEGOTIATING TEAM RETURNED TO PITTSBURGH DRAWING BOARDS OVER WEEKEND AFTER BAUXITE REVENUE TALKS RECESSED UNTIL LATER THIS MONTH. GOS AND ALCOA/SURALCO REPS STILL UNABLE BRIDGE GAP IN POSITIONS DURING NEGOTIATIONS FEB 23 - 28TH. ALCOA PUZZLEMENT DEEPENED AT SPECIAL MEETING AT WHICH CHIEF COMPANY NEGOTIATOR WAS TOLD THAT AGREEMENT WOULD HAVE COME EARLIER BUT FOR EXISTENCE OF "POLITICAL PROBLEM." GOS REPS WOULD NOT SAY WHAT NATURE OF PROBLEM IS.

2. GOS REMAINS DETERMINED THAT ALCOA AGREE TO MINE AND SHIP 3 MILLION TONS BAUXITE DURING CALENDAR 1976. ALCOA PROPOSAL, PRINCIPLE OF WHICH EARLIER ACCEPTABLE TO GOS, WAS TO PREPAY REVENUES ON 2.8 MILLION FOR 1976 AND 1977, AND ON 3 MILLION FOR 1978. ALCOA UNABLE AGREE ACTUALLY EXTRACT THIS AMOUNT AT
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OUTSET SINCE IT WOULD HAVE REPERCUSSIONS ON DOMINICAN AND

JAMAICAN OPERATIONS WHICH OPERATING AT REDUCED LEVELS. (GOS OFFERED WRITE CONTRACT MASKING THIS FROM GDR AND GOJ; SO MUCH FOR IBA SOLIDARITY.)

3. SURALCO MANAGING DIRECTOR TELLS ME THAT MINING AND SHIPPING 3 MILLION TONS WOULD POSE EXTREMELY DIFFICULT STOCKPILING PROBLEMS IN U.S., AND THAT SHIFTING INTO HIGH GEAR HERE, AFTER PLANNING ON 2.1 MILLION PRODUCTION FOR YEAR, WOULD HAVE TO TAKE PLACE IN MATTER OF WEEKS IF GOS FIGURE WERE TO BE REACHED. MOREOVER, TRINIDAD TRANSFER STATION WOULD HAVE TO BE REACTIVATED AND SHIPPING OBTAINED ON VERY SHORT NOTICE. BUT LATTER DIFFICULTIES COULD PROBABLY BE OVERCOME IF EVENTS FORCE ISSUE.

4. THROUGHOUT, NEGOTIATIONS CONDUCTED IN FRIENDLY FASHION WITH ASSURANCES FROM GOS SIDE THAT GOVT PREPARED HONOR CONTRACTS, A REFERENCE TO BASIC BROKOPONDO AGREEMENT WHICH GOVERNS ALCOA-GOS RELATIONS. WHILE TALKS ENTIRELY FREE OF THREATS, COMPANY IN NO DOUBT IT IN FOR BUMPIER RIDE THAN ORIGINALLY FORESEEN, AND IS UNSURE HOW TO PROCEED SHORT OF ACCEDING TO GOS POSITION. CONFEREES AGREED CONTINUE TALKS LATER THIS MONTH OR EARLY APRIL AFTER ALCOA REVIEWS POSITION AT HEADQUARTERS.

6. COMMENT: MYSTERIOUS "POLITICAL PROBLEM" MAY BE NO MORE THAN NEGOTIATING PLOY, EXCUSE FOR FURTHER DELAY AS MEANS OF RAISING PRESSURE ON COMPANY. GOS SEEMS IN NO GREAT HURRY TO SETTLE, CERTAINLY, IN CONTRAST TO 1974 NEGOTIATIONS, AND EACH MEETING INCREASES ALCOA'S ANXIETY. "POLITICAL PROBLEM" MAY HAVE ADDITIONAL ASPECT. SURINAM MILDLY FEELING ITS OATS AS NEW NATION, MEMBER GROUP OF 77, AND MAY WISH SHOW OTHER COMMODITY PRODUCING THIRD WORLD COUNTRIES IT CAN GET TOUGH, TOO.

7. GOS HAS DELAYED SIGNING ACCORD RECENTLY NEGOTIATED WITH DUTCH BILLITON BAUXITE COMPANY PENDING ALCOA/SURALCO SETTLEMENT. BILLITON AGREEMENT CONTAINS NO PRODUCTION GUARANTEE OR PRE-PAYMENT PLAN, PROVIDES FOR LEVY BASED ON LOW 35 CENT REALIZED PRICE PER LB. OF INGOT (NOW STANDS AT 43 CENTS) SAME AS EARLIER ACCORD. EASY BILLITON TERMS REACHED TO PROVIDE LEVY RELIEF SINCE COMPANY HAS LOST SOME LONG-TERM CONTRACTS OWING REDUCED COMPETITIVE POSITION. SO GOS MAY FEEL NEED FOR RELATIVELY LIMITED OFFICIAL USE

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TOUGHER AGREEMENT WITH ALCOA TO OFFSET ANY IMPRESSION HERE OR ABROAD OF SOFTNESS TOWARD COMPANIES ENGENDERED BY BILLITON SETTLEMENT.

8. ALTHOUGH SITUATION FOR ALCOA COULD CONCEIVABLY TURN UGLY IF COMPROMISE CONTINUES ELUDE TWO SIDES, THERE IS NOTHING IN HISTORY OF RELATIONSHIP TO SUGGEST CRITICAL BREACH WILL BE PERMITTED OCCUR. GOS CONTINUES GO ON RECORD TO DIS-

COUNT NATIONALIZATION, ALTHOUGH IT CLEARLY OUT TO ASSERT
MORE CONTROL OVER TERMS OF BAUXITE EXPLOITATION. WE CONVINCED
ALCOA AND GOS WILL FIND WAY OUT OF PRESENT IMPASSE.
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